

PECULIARITIES OF EUROINTEGRATION VECTOR DEVELOPMENT IN UKRAINE

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Long ago Ukraine officially announced the course of European integration. But without real reforms, especially in the field of country management, only with declarations it is difficult to come closer to a united Europe. Reforms are required by the international community, international organizations and, most importantly, by the situation in Ukraine. In late November 2013, at the Vilnius summit the Association Agreement (AA) between Ukraine and the European Union (EU) was supposed to be signed, but at the last moment the Government of Ukraine announced the unpreparedness of the country's economy for the next step to the direction of European development, refusing to sign document, actually, due to lack of reforms in the country on European principles stipulated in the Agreement.

Economic reforms occupy a special place in the AA. In Chapter 2 “Macroeconomic Cooperation” in Article 343 it is stressed that “The EU and Ukraine shall facilitate the process of economic reform by co-operating to improve understanding of the fundamentals of their respective economies and the formulation and implementation of economic policy in market economies. Ukraine shall strive to establish a functioning market economy and to gradually approximate its policies to the policies of the EU, in accordance with the guiding principles of macroeconomic stability, sound public finances and a sustainable balance of payments” .

Reforms are urgently needed in the first place for Ukraine itself, because just comprehensive reforms will help to change the internal foundations of the state, to

create conditions for functioning of the economy for the benefit of the whole society, and equality before the law for all. Reforms should ensure the care of the state and society for healthy environment, quality of drinking water and food, high-quality health care and education, normal roads, and the fight against corruption and crime.

But in Ukraine there is no special government agency (SGA), which would consolidate eurointegration efforts in the country. It is important to emphasize that the countries that joined the EU in previous decades, provided advance measures to ensure coordination of European integration policy in the course of the association process, although sometimes it required to address complex institutional issues. Integration management structures were different in each country, although most have set up independent of the central authority structures subordinated to a Prime Minister or Deputy Prime Minister, or create a special Ministry or individual specialized institutions for the EU, but in all countries there was one government “room” to address eurointegration issues.

For example, Poland has established a special body to manage European integration, Romania established the Ministry of the European integration, Latvia and Lithuania have also created independent central authorities subordinated to a Prime Minister. The countries that recently joined the EU, or even negotiating for accession, as a chosen coordination model of cooperation with the EU have selected a one institution model: Croatia - the Ministry of Foreign Affairs and European Integration, Turkey – the Ministry for EU. Thus, most of the new member states and candidates decided in favor of a SGA managing the European Integration process. All these countries have set up separate high-level management structures for the European integration and effective use of technical assistance (TA).

In parallel with the creation of eurointegration management structure, Ukraine urgently need to initiate creating a European like efficient civil service, devoted to the interests of the whole society. The public service must ensure the legitimacy and predictability of decisions of the administration. Professional civil service must be

based on a system of recruitment and career growth for positive personal qualities and officials, in turn, should have adequate control levers for approval of specific policies and making decisions on relevant issues.

It is important that SGA would be able to prioritize training needs of civil servants regarding EU issues, oversee training of civil servants and be the center of dissemination of knowledge about the EU to other government agencies and general public. Institutions specializing in the training of civil servants should be involved in the organization of training courses on European integration. The experience of Central Europe shows that the implementation of integration measures and commitments to the EU is heavily dependent on human potential, resources and knowledge in key government focal agencies.

So, one of the key challenges for Ukraine should be communication between policy development to implement the program of AA and training of civil servants in the field of European integration for 2008-2015. But it's hard to imagine a high-quality education and sustainability of its results without strengthening and capacity building of the civil service in Ukraine on the basis of the best EU standards.

Thus, for the efficient use of eurointegration resources there is a need to create a comprehensive system of their implementation based on a holistic approach to economic reform, at least in the medium-term perspective. It is also necessary to prepare an internationally acceptable national development strategy and national development plan with a clear set of sectoral strategies and plans. There should be established an effective system of donor coordination, which links the said strategy and plans with donor activities.

International experience also shows that country development could be most effective when external and internal policy are synchronized and well coordinated, taking into account the interests of various stakeholders in government and beyond. So, European integration SGA would be a good partner for the Ministry of Foreign

Affairs in the formulation, coordination and implementation of its negotiating position with the EU and in fulfilling its obligations in the future.

In early 90th Western democracies tended to think that market transformations in the NIS and, in particular, in Ukraine, could happen under rather limited western technical assistance and financial aid. Now it is evident that western countries have to play a more active role in promoting market reforms in the NIS. For recipient countries, foreign aid inflows, both financial and technical, should support institutional reforms and re-structuring of economy, development of entrepreneurship and other market transformations, thus creating favourable conditions for further inflow of foreign private capital and cooperation with the world community.

Problems, which were acute for Western European countries in post World War II years, became crucial for Ukraine, as international community realized the need to revise mechanism of rendering aid to East European countries and to support their market transformation efforts more effectively. Still, there is one significant difference: Ukraine needs foreign aid not to reconstruct market economy and democracy, as it was the case in Western Europe after World War II, but rather to create them. But, despite the fact that with the time donors' motivation and recipients' needs may change, mechanisms and methods of providing efficient aid remain the same in essence.

In 1948 after almost a year of intensive debate the US congress approved the proposal of General Marshall and passed the Economic Cooperation Act, which formed the legal background for the Marshall Plan. By 1952 according to the Plan, almost 13 billion dollars of economic aid and technical assistance was channeled to 16 European countries.

The value of Marshall Plan assistance might not seem significant in modern terms, but in some years it reached almost 10% of the US federal budget or 2% of the gross national product. If Americans wanted to repeat the Marshall Plan nowadays it would cost them more than 200 billion dollars.

The Marshall plan succeeded in reconstructing the economic growth of Western Europe, stabilizing its democratic policies and containing the influence of the Soviet Union. It also laid the backgrounds for development of transatlantic economic and political co-operation, which is active and expanding today. The Plan proved the effectiveness of mass capital movement from stronger to weaker economic structures for mutual profit of both.

Still one of the main achievements of the Marshall Plan is integration of the Western European economies. American leaders were looking to renew Europe on the basis of American neocapitalism, which means capitalism connected with free trade and free market forces with limited state control. But such order required close co-operation at all levels: from manufacturers and capital owners to government officials. This approach got the name “corporatism”. Thus, the Marshall Plan created the basis for the integrated European market, which could absorb the power of Germany, stimulate productivity, upgrade living standards, lower prices, and strengthen the background for security and recovery at the Continent.

The Marshall Plan recognized the continental scale of the problem and was aimed, first of all, at stirring up internal resources of the participating countries. From the very beginning Marshall and other officials insisted that, in accordance with the principles of self-help, mutual help and shared responsibility, participating countries should take the responsibility in their own hands and play the leading role in their own recovery.

To administer the Plan the Congress created the Economic Cooperation Administration (ECA) with an administrator in Washington, special representative in Paris, and local missions in all participating countries. ECA held control over everyday activities and took policy-forming decisions together with the State Department. ECA got this authority, as Washington believed that European recovery required business like thinking, which civil servants of the State Department could not possess.

On that background President Truman appointed President of the Studebaker Corporation Paul Hoffman the ECA Administrator in Washington, and Averell Harriman, known in business and banking community, special representative in Paris. Hoffman and Harriman managed to involve to ECA's activities leading businessmen and academicians. Almost all top positions were given to graduates of famous colleges and universities. Prominent businessmen occupied key positions in administrations in Washington and Paris as well as headed ECA missions in participating countries. Representatives of trade unions and professional associations also took active part in ECA's work. Thus, ECA was placed in the middle of a co-operation network of politicians and private sector, whose qualification made the recovery program efficient.

The Marshall Plan has developed the mechanism of co-operation between various organizations, which created favorable environment for development of private business. Over years those conditions have proved their efficiency and they could be successfully used today. ECA by its nature was an intergovernmental organization, but in practice it worked as a semi-private agency, involving in its activities first-class professionals, particularly from business community.

Every country participating in the Plan set up special governmental agency for national recovery. Many of those agencies, like the central commission in Paris, actively involved to their activities private sector, industrial and farmers associations and NGOs. Thus, American and European leaders managed to create a powerful alliance of private groups and organizations for achieving economic growth aimed by the Marshall Plan. In implementing the Plan special role belonged to the technical assistance.

In France technical assistance helped to implement the Monnet Plan for industrial development, in Germany promoted industrial rationalization, in other countries TA supported improvement of engineering and marketing procedures, implementation of new technologies, distribution of modern methods of industrial

planning, growth of automation and improvement of labor organization. All that spurred industrial development in Europe. Thus, the TA program put American technological, engineering, manufacturing and marketing know-how at the foundations of the recovery of European economy.

It could be said for sure that US policy was successful because countries participating in the Marshall Plan preserved within its framework great deal of their national autonomy. Though the Marshall Plan was an American initiative, its implementation was completely based of self-help of European countries. Those principles were further developed and expanded when European countries started to develop their own integration programs.

Integration of European countries is one of the main achievements of the post-war period, great deal of which was contributed by the Marshall Plan. The architects of the Plan understood the benefits of economic integration and did their best to implement it in practice. The strategic background for such a policy was the belief that integrated economic order, particularly administered by centralized institutions, would help to direct the renewed German power into productive areas. Economic integration could reconcile recovery of Germany with security considerations of its European neighbors, thus creating a powerful alliance in the West of the Continent able to contain spread of Soviet Union's influence. Economic backgrounds of that policy derived mostly from the US internal experience, where large national economy was integrated by market forces, and federal governmental institutions helped to structure the economy in a way to obtain maximum benefits from specialization and rational use of resources.

Nowadays, after more than half a century after the Marshall Plan implementation, Europe again faces the situation when principles of the Plan can be appropriate to guide rendering technical and financial. Many East European countries, particularly Ukraine, until now cannot get substantial economic benefits from technical assistance. Thus, the Marshall Plan principles can have practical

value today. They can be used for development of a new strategy of assistance to Ukraine.

Until now, Ukraine does not have a well designed development strategy, which could be the framework for implementation of international TA and credits of international financial organizations (IFO). Without such a strategy the credits have a local effect, though the World Bank alone has already funded several systemic projects for stimulation of market reforms in Ukraine. The aim of such credits is to spur market transformations in key industries ensuring change of legislation and creation of generally favorable economic environment.

Still, the effect of the credits, which are being paid back from the state budget, leaves much to be desired. And it is the Ukrainian side being responsible for creating a more favorable climate, at least for effective use of credits, has to change situation for the better. The increase of lending to Ukraine is much desired, but it is worth remembering that international credits, neither by their volume nor by their objectives, can play decisive role in the economic recovery of a recipient country. They can only supplement country's own efforts.

For successful implementation of the new strategy of rendering TA and distribution of financial and investment flows it would be necessary to create an agency (ministry) for international co-operation and development with special status, which would be autonomous from other governmental structures. Such agency should attract to its activities leading economists, representatives of academic and business community.

The Marshall Plan has become the critical element of support, which was lacking to activate the self-help process of the European countries. It also helped to promote basic goods imports, stimulated investment and help stop inflation. This, in turn, contributed to the growth of production, improved terms of trade and, ultimately, led to the longest in the history of modern Europe period of social peace and prosperity.

Thus, the present situation requires new architecture of international development designed as a coalition of all parties involved to improve the efficiency of TA and its focusing on economic development and construction of civil society in Ukraine. Implementation of a joint strategy of technical assistance to Ukraine, which would be based on the Marshall Plan principles, will also help to stimulate integration to European and world structures.

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